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Macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries

Indonesia*: draft resolution

The financial crisis and its impact on growth and development, especially in the developing countries

The General Assembly,

Reaffirming its resolution 52/180 of 18 December 1997 on global financial flows and their impact on the developing countries, as well as the Economic and Social Council ministerial communiqué on market access of 7 July 1998, in particular its paragraph 10 on the serious implications of the financial crisis for world trade and trading prospects,

Also reaffirming that global financial flows, in the context of financial globalization, has presented Governments, the multilateral financial institutions and the international community at large with new challenges and opportunities, and that they should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions,

Mindful of the vital role of financing for developing and fostering the economic development of the developing countries, and emphasizing the importance of adequate financial resources for development,

Recognizing the benefits of the increasing integration of global markets and the important role of financial capital flows for promoting economic development and social welfare,

Deeply concerned over the continuing decline of official development assistance, which is a major external source for financing development and is a crucial input for infrastructure development in developing countries, especially where private capital flows may either be inadequate or not available,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China

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Regretting that the financial markets have exhibited extreme volatility, which has resulted in higher interest rate spreads and a sharp decline in private capital flows to developing countries, leading to a significant slowdown in economic activity,

Deeply concerned that the international financial crisis has acquired extremely worrying dimensions, posing a severe threat to world economic development,

Expressing concern that the financial crisis has seriously affected the growth and development prospects of least developed countries,

Also expressing concern over the negative effects of the financial crisis on the international trading system, in particular the sharp reduction of commodity prices and its negative effects on the development prospect of developing countries,

Recognizing the weaknesses of the international financial system and the need to improve international financial infrastructures to enable them to deal with the new challenges of global financial integration,

1. *Takes note* of the report of the Secretary-General entitled "Global financial flows and their impact on developing countries: addressing the matter of volatility",[1] the *World Economic and Social Survey, 1998* and the *Trade and Development Report, 1998*;

2. *Stresses* the importance of having an enabling international environment and a strong cooperative effort by all countries and institutions to support crisis-hit countries and to prevent further contagion, and calls on all countries, particularly major developed countries with significant influence on the economic situation at the global and regional levels, to adopt and implement effective policy measures conducive to economic growth and to promote a favourable external economic environment for the economic recovery of the affected developing countries and countries in a critical economic situation;

3. *Emphasizes* that the international financial institutions, in providing policy advice and prescriptions in the context of adjustments and financial crisis programme, should ensure that they are sensitive to specific needs and circumstances of developing countries and ensure the best possible outcome for the economies concerned;

4. *Also recognizes* the importance of safeguarding the growth and development prospects of least developed countries, which remain the poorest and most vulnerable segment of the international community, and calls upon development partners to adopt immediate measures, in particular for substantial increase in official development assistance, large-scale debt relief, improved market access and enhanced balance-of-payments support;

5. *Stresses* the need for constructive dialogue among developed and developing countries with regard to the repeated appeals for improving the international financial system;

6. *Also stresses* the importance of the open high-level dialogue between the Economic and Social Council and the Bretton Woods institutions, and invites the Secretary-General to consider the possibility of convening the high-level dialogue in 1999 immediately before the spring meeting between the World Bank and the International Monetary Fund;

7. *Recognizes* the need to improve the capacities and modalities of the international monetary and development finance institutions to prevent, and to respond in a timely and effective manner to, crises induced by large-scale capital movements;

[1] A/53/398.

8. *Stresses* the urgent need to endow the International Monetary Fund with adequate resources to provide emergency financing to countries affected by financial crises as a result of the high volatilities of international capital flows;

9. *Also stresses* the need to consolidate the international and national financial systems through a more effective national, regional and international surveillance, based upon the improvement of the availability and transparency of information, as well as the strengthening of the role of the international financial institutions in the prevention, management and solution of financial crisis;

10. *Invites* the International Monetary Fund to determine additional regulatory and disclosure measures to ensure greater transparency of financial market participants, including highly leveraged operations of the international institutional investors;

11. *Encourages* the Interim Committee of the Board of Governors of the International Monetary Fund to expedite the work relative to the greater involvement of the private sector in preventing and resolving financial crisis;

12. *Emphasizes* that the opening of the capital account must be carried out in an orderly, gradual and well sequenced manner, keeping its pace in line with the strengthening of countries' ability to sustain its consequences, and invites the International Monetary Fund to contribute to this process;

13. *Calls on* the international community to pursue national and international efforts, at the intergovernmental and inter-agency levels, to contribute to minimizing the excessive volatility of global financial flows, and to distribute in a more equitable manner the costs of systemic adjustments between the public and private sectors;

14. *Invites* the International Monetary Fund to facilitate the dialogue among relevant actors to consider the possibility of establishing a regulatory framework for short-term capital flows and trade in currencies;

15. *Recognizes* that a most important question that needs to be addressed by the international community in the wake of globalization is the need to mobilize resources for such goals as poverty eradication, human resources development and health and education;

16. *Welcomes* the efforts of the World Bank to help Governments to address the social consequences of crises, including strengthening social safety nets for the most vulnerable;

17. *Requests* the Secretary-General, in close cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to analyse the current trends in global financial flows and make recommendations in the *World Economic and Social Survey, 1999* and the *Trade and Development Report, 1999* on ways and means to prevent and respond to the systemic crisis in a comprehensive manner and with a long-term perspective, while remaining responsive to the challenges of development and the protection of the most vulnerable social groups, including recommendations on modalities to improve prevention and early warning capabilities for dealing with the emergence and spread of financial crises in a timely manner;

18. *Also requests* to the Secretary-General to report to the General Assembly at its fifty-fourth session on the implementation of the present resolution.